

The Limits of Politics*

MY POINT OF DEPARTURE IS ONE THAT HAPPENS TO BE RATHER appropriate for a lecture sponsored by the journal *Government and Opposition*. It is that the political choices open to governments these days have been so constricted by those forces of structural change often referred to as 'globalization' that the differences that used to distinguish government policies from opposition policies are in process of disappearing.

Once upon a time, in Britain, the Labour Party proposed nationalization of the means of production and exchange; the Conservatives proposed privatization of nationalized industries and services. Once upon a time, after the war, there was opposition to the government's American Loan, and then to British support for NATO and a nuclear defence policy. By the 1980s or even earlier, differences over defence and the American alliance had gone. Now, instead of Greenham Common or the Aldermarston marches, the media give time and space to non-partisan protests against new motorways or the export of veal calves. When the next election comes, who really believes that there will be really major changes in the way Britain is governed?

Nor is the blurring of government and opposition party programmes just a British phenomenon. In France, no one seriously expects Chirac to create millions of new jobs out of thin air. In Italy, Berlusconi's promises of national renewal proved false. In Japan, defeat for the Liberal Democrats has brought little change in either domestic or foreign policy. With it, goes widespread popular disbelief in the power of the individual state to plan the economy or to protect the citizen from the impact of change in the world market economy. Politicians still make speeches pretending that they have the answers to economic and social problems. They act as though they are in control of the nation's destiny. The journalists – most of them – pretend to believe them. Their readers or viewers are not so easily convinced. Disillusion with politics, disdain for politi-

*This is the text of the *Government and Opposition*/Leonard Schapiro lecture delivered at the London School of Economics and Political Science on 1 June 1995.

cians is a common phenomenon, accurately reflected in the polls from Japan to the United States, from Latin America to Europe. The common contempt of the cartoonists is everywhere sharper and more bitter than in the past. The appetite for political scandal – financial in France or Italy, sexual in Britain – is yet another indicator of widespread popular disillusion with (so-called) ruling elites. Another is the electoral successes of apolitical outsiders like Ross Perot or Silvio Berlusconi. If there are exceptions to the trend, they are to be found in the smaller democracies like Norway or Finland where the politicians share with their electors a common sense of vulnerability to the forces of globalization, and are therefore less inclined to make rash promises to them about defending national sovereignty.

National politics, however, is not my main concern. I have other targets – mainly theoretical and academic – in my sights. It just happens that the blurring of political divisions is just one, among several, of the many consequences of economic and technological ‘globalization’, and one that provides a good starting-point for my argument. The end-point, or conclusion, of the argument is that most Western social science has been rendered obsolete by these globalizing changes. (It is not, of course, a conclusion that might be very popular either with members of the Government Department, nor with my former colleagues in the International Relations Department, still less with most people in the Economics Department. But one of the few – very few – advantages of emeritus status is that upsetting people does not matter so much. And at least I may hope that it will not greatly upset colleagues among the geographers, the historians or the lawyers.)

To reach that end-point, I propose to begin with some discussion of that much-abused portmanteau term, ‘globalization’; and to go on from clarifying what it means and what caused it, to the consequences that follow from it. I will illustrate, quite briefly, what those consequences are with reference to two recent developments in international political economy that I have been studying for a forthcoming book on power in the world system. One is the growth of transnational organized crime. The other is the development of a world market for communications systems. I do this because I believe that coherent comments on theory or methodology in the social sciences are always more persuasive if they can be illustrated with some empirical material.

THE MEANING OF GLOBALIZATION

What does globalization really mean? One of my American friends always refers to it as 'globaloney,' and it is true that it is a term used by a lot of woolly thinkers who lump together all sorts of superficially converging trends in popular tastes for food and drink, clothes, music, sports and entertainment with underlying changes in the provision of financial services and the directions of scientific research, and call it all globalization without trying to distinguish what is important from what is trivial, either in causes or in consequences.

So, 'globaloney' apart, the most important factor in all aspects of globalization is perceptive. Those affected perceive themselves to be living and working in a world-wide context, instead of in a local, national one. That perception is common to many state officials who now spend much of their time going to, or preparing for, international meetings, bilateral or multi-lateral; to managers and experts of all kinds engaged in transnational business, whose collection of air-miles reflects their global travelling – in business class, naturally; to most professionals in universities and in medicine, consulting and accounting, architecture, music and the arts, whose closest colleagues and best contacts are rather more likely to be foreigners than fellow-nationals. In each category, the proportion of those so perceiving their life and work is growing, while the proportion of those whose horizons are just local is falling.

While, so far as I know, there are no quantitative indicators of this universal perceptive change, there are some supporting economic indicators, such as the growth of the conference business and of travel and transnational communications. In the mid-1980s, too, the estimated volume of international production – 'offshore' production by firms in territorial states other than that in which they have their headquarters – for the first time exceeded the volume of inter-state exports. Within many states, the proportion of production of goods and services controlled (by one means or another, and not necessarily through ownership) by foreign-based firms is growing as local firms are merged or taken over or closed down. In some sectors, this is more apparent than in others. But consider the British car industry: nearly all production of cars is by American, Japanese or German-based firms, not British ones. Even in the United States, four out of ten car producers are Japanese-controlled. Two billboard signs I know of reflect this

globalization: 'Nissan welcomes you to Newcastle', and, in Bangalore, 'Welcome to IBM-town'.

What this means is that the design and production of goods and services is now planned and organized not for one national market but for a number of national markets. The goods or services do not have to be, literally, for sale all over the world. But it does mean that design and production for the home market is gradually overtaken and surpassed by production for a group of markets. For some products – ships or aircraft, for instance – this has already been the case for a long time. For other products, mostly new ones like microwave ovens or VCRs, or new versions of old products like bicycles or furniture, the overtaking process has been recent and rapid. At a recent exhibition I saw in France of the very latest models of Peugeot bikes, it turned out they were all Japanese; not one was made in France though some were assembled from parts imported from Japan. Mainland China has now taken over from Taiwan as the world's biggest exporter of bikes but, like Taiwan, it depends heavily on Japanese parts – at least until the high yen forces the makers to transfer production of parts offshore.¹

Secondly, globalization means the partial erasure of the distinctions separating national currency areas and national systems of financial regulation.² Differences persist and, as Pauly argues, may have an important effect on the competitiveness of national economies in gaining shares of the world market.³ But as Pauly also notes, four other changes in the financial structure weaken the protective barriers around national financial systems. They are 1) the reduction of direct controls and taxes on capital movements; 2) the liberalization of long-standing regulatory restrictions within national financial markets; 3) the expansion of lightly regulated offshore financial markets; and 4) the introduction of new technolo-

¹ *Free China Journal*, 28 April 1995; Deanne Julius and Richard Brown, 'Is Manufacturing Still Special in the New World Order?' (American Express prize essay), *Amex Bank Review*, 1993.

² B. J. Cohen, *The Geography of Money*, forthcoming; see also S. Corbridge, R. Martin and N. Thrift (eds), *Money, Power and Space*, Oxford, Blackwell, 1994. Cohen is an economist, now working in a politics department. The editors of the second book are geographers.

³ L. Pauly, 'Capital Mobility, State Autonomy and Political Legitimacy', *Journal of International Affairs*, Columbia University, Winter 1995, pp. 369–88.

gies in the process of financial intermediation.⁴ All these changes in the financial structure have been the necessary conditions for changes in the production structure noted earlier. But they also have a direct political significance. They complicate the management of complex interdependence, to use Keohane's language, and give rise to new, enlarged foreign economic policy choices for governments involving them either in conflict or coordination with other governments – and sometimes in both at the same time.

This was a change first recognized by Richard Cooper in the mid-1960s, and elaborated where financial matters were concerned by several authors in the 1970s.⁵ Among the consequences of these structural changes to which I shall come in a moment is the availability of footloose money for organized transnational crime – mainly but not only in the drug traffic.

The second trend or change characterizing financial globalization noted by Pauly – the liberalization of national regulatory restrictions within national financial markets – is no less important politically. Most observers agree that the spread of competitive deregulation of private operators and transactions in finance was started in the mid-1970s when the United States liberalized the fixed commissions charge for stock exchange transactions – or some fifteen years earlier, if you include the toleration, by the British as well as the Americans, of the offshore dealing in the Eurodollar market.

Two further aspects not to be overlooked when it comes to defining globalization are the increased mobility not only of capital but of other factors of production; and the improved quality and lower relative cost of international transport and communication.

For the first, it is often supposed that while capital has gained mobility, labour has not. But this is only true in a very literal sense. Unskilled labour is still immobilized within national

⁴ *ibid.* p. 369. On the last item, see also S. Enkyo, 'Financial Innovation in the United States, Britain and Japan', unpublished London University PhD thesis, 1989.

⁵ R. N. Cooper, *Economics of Interdependence. Economic Policy in the Atlantic Community*, New York, Council on Foreign Relations/McGraw-Hill, 1968. See also the late Fred Hirsch, *Money International*, London, Penguin, 1967; David Calleo (ed.) *Money and the Coming World Order*, New York, New York University Press for the Lehrman Institute, 1976; A. Shonfield (ed.), *International Economic Relations of the Western World 1959–1971*, Vol. 1, Part 1, Oxford University Press, 1976 and S. Strange, *International Monetary Relations*, *ibid.*, Vol. 2, 1976.

territorial borders.⁶ But skilled labour is now mobile in the sense that it has access to a global labour market. Either the skilled workers move, as witnessed by the 25 per cent of technicians in Silicon Valley said to be of Asian origin; or the work moves to them, through supplier sub-contracting to big foreign firms, as with the largest software company in India, based in Bombay, which employs 4,300 engineers, average age 29, of whom 80 per cent have a master's degree or a PhD. The result of this kind of labour mobility is that the Indian computer industry doubled its size, and Indian software exports quadrupled in just three years between 1990 and 1993.⁷

Such developments signal much greater mobility in the fourth factor of production, and one often overlooked by the economists – technology. Together with mobile capital and the fifth factor – mobile energy – mobile technology has rendered largely obsolete one of the business economists' pet theories explaining international production – Vernon's product cycle theory.

Last but not least among the aspects of globalization are the improved quality, speed and lower relative cost of transport and communications – of which more later. Both have been a necessary condition for the expansion of international trade and for the large and more important growth of international production. And both are persistently overlooked by the trade economists and by too many comparative political scientists and by most of my former colleagues in international relations.

THE POLITICAL CONSEQUENCES OF GLOBALIZATION

I come now to the political consequences of globalization, from which I propose to draw some theoretical conclusions. For simplicity, these can be summarized under three main headings – the shift in power from states to markets; the increased asymmetries of state power; and the gaps in government. Of the three, the first is the most relevant to my title, since, if true, it suggests a much wider definition of politics, and a larger

⁶ Even that is not quite true. British plumbers and brickies go job-hunting in Germany, and firms in the oil business and the construction industry are apt to take their workers to the jobs, especially in the Middle East.

⁷ T. Taniguchi in *Nikkei Business*, 1–8 May, 1995.

concept of what should be researched and studied by those interested in politics, than is conventionally perceived.

About the shift in the balance of power between states and markets, I do not think there is either much doubt or much disagreement. It is just that the implications of the open world market economy, the omnipresence of the multinationals and the expansion in their numbers and in the extent of their penetration of national economies has not been fully recognized in academic writing and discourse. It is not just that the multinationals have to be added to the cast-list of actors in international politics — adding the by-now-obligatory appended afterthought now found in most texts on international politics. It is that they have been instrumental in changing the nature of the competition between states and in changing the very nature of states and their patterns of conduct, both at home and abroad. As Vivien Schmidt has said:

The unwritten story behind the internationalization of trade lies not so much in how international and regional trade associations are diminishing the autonomy of the nation-state, or in how multinationals are escaping the control of the nation-state, but in how nation-states have been altering their own policies to function in the new international arena, and in how these in turn have affected their policymaking processes.⁸

In most instances, she argues, the changes have undermined democratic systems by strengthening executive power vis-à-vis societal interests and by freeing business from its traditional constraints.

How and why they have been able to do so was the message John Stopford and I tried to get across in *Rival States, Rival Firms*.⁹ Although it happened that the empirical evidence we drew upon was taken from a comparison of three developing countries, the book was not essentially a contribution to development economics. It was proposing a structural explanation of the processes of globalization and of the consequences for all governments, developed as well as developing, and for all but a handful of firms. We quoted

⁸ V. Schmidt, 'The New World Order, Incorporated; The Rise of Business and the Decline of the Nation-State', in *What Future for the State?*, *Daedalus*, Vol. 124, No. 2, 1995, edited by S. Graubard, p. 85. See also S. Strange, 'The Name of the Game', in N. Rizopoulos (ed.) *Sea-Change; American Foreign Policy in a World Transformed*, New York, Council on Foreign Relations, 1990.

⁹ J. Stopford and S. Strange, *Rival States, Rival Firms: Competition for World Market Shares*, Cambridge University Press, 1991.

(among others) Deanne Julius who wrote in 1990 about trade creating 'a qualitatively different set of linkages among advanced countries', and who in a subsequent monograph has explained how and why manufacturing industry is likely over the current and the next decade to move massively away from the OECD countries to countries that used, rather patronizingly, to be referred to as 'developing'.¹⁰ The whole point of the argument was that diplomacy had now become triangular, so that while governments continued to negotiate with other governments, they also had to negotiate with firms (as our evidence demonstrated) and to accept and adjust to the consequences of the third kind of diplomacy, that between firms. Taking a variety of forms, from franchising, licensing and sub-contracting to strategic alliances in research and development, this new diplomacy is probably the fastest expanding and in the long term the most instrumental of the three.

This is a very different interpretation of globalization than the 'embedded liberalism' proposed by John Ruggie. That presupposes that international agreement and organizations have been the means by which the open world economy has been reconciled with the political division of authority between nation-states.¹¹ Triangular diplomacy suggests something different, that international trade and production, more than inter-governmental institutions, have been the gearbox or transmission mechanism between the world market economy and the state system. Whether you look at the dynamics of either trade or aid over the past twenty or thirty years, it is the decisions of firms, not of governments, that have brought about the most important changes.

That those changes have to a large extent emasculated state control over national economies and societies has almost become a journalistic platitude. This is certainly the case with regard to the markets in foreign exchange. A G-7 meeting earlier this spring more or less admitted the impotence of central banks to arrest the fall of the dollar against the yen. In face of the devaluation of the Spanish peseta, also forced on European governments by the markets, doubts grow about the attainability of European Monetary Union according to the timetable set – or should one say, proposed – in the Maastricht

¹⁰ Deanne Julius and Richard Brown, *op. cit.*

¹¹ J. Ruggie, *The Antinomies of Interdependence: National Welfare and the Division of Labour*, New York, Columbia University Press, 1983.

Treaty. Even Professor Lamfalussy as head of the European Monetary Institute has come out as a sceptic.

On a wider policy front, it must be obvious that the U-turns of many states towards liberalized trade and deregulated business have deeper causes than a miraculous ideological conversion to the beliefs and assumptions of Hayek, Friedman and neoclassical economics. Nor is it just the exigent pressures from the IMF and the World Bank through the structural adjustment loans that have forced India, Brazil and a long list of African and other countries to abandon the strategy of import substitution, to lift exchange controls and ease up on administrative permits, to promise privatization of state-owned enterprises and not only to open doors to foreign firms but to write a large 'Welcome!' on the doormat. The demonstration effects of the success of the Asian Tigers, the awareness of living standards in the OECD countries, the impatient appetites of a growing middle class for the same conveniences and consumer choices as others, put pressure on all governments to join the competition for world market shares, to seek the benefits of foreign capital and foreign technology at whatever ideological cost. Opting out, in short, is out. It will not be long before Cuba, Myanmar and even North Korea abandon their economic isolation and, like everyone else, learn to play by the rules of the market economy. Their eagerness to join is only matched by the readiness of the Fund and the Bank to make it easy for them, so that no one falls through the net and is lost to the world market. Proposals to increase the resources of the Fund and Bank, and even to prepare for 'another Mexico' are by no means disinterested.

This comes back to my starting-point about the disillusion bordering on disdain so widely felt for politicians. People know that their promises of lower unemployment, more job creation, are not to be relied on. The former power of the state, through indicative planning to beat the business cycle, is no longer credible even in France, and has not been since Mitterrand tried to spend his way out of the recession of the early 1980s only to have to backtrack at the behest of the markets. Neither the control over interest rates nor the country's balance of payments are left under the authority of governments. Even competition policy, like property rights and protected financial services, may come under pressure to conform to standards set outside the state.

The same point can be made in another way. Divide the

world economy into sectors — oil, cereals, steel, clothes, toys, beer, semiconductors, arms and so forth. There are very few where the choices open to governments today are as wide as they were in the 1930s or even in the 1960s. A government may choose to enhance the price of petrol with a sales tax. It can decide to lower it (or anything else) with a subsidy. But prices will still move up or down with the market and deviance will carry a cost, either to the taxpayers or to the consumers. Someone pays. The same may be said for farm products. There is the option of protection, but the costs may vary regardless of government policy according to the shortages or surpluses in the world market — or rather to the expectations of either by the grain dealers.

Asymmetry. The second consequence of globalization is asymmetry: that it has brought about greatly increased differences in the power and autonomy of states since the mid-century. In 1950, there were about 60 members of the United Nations. There are now around 180 — three times that number. The difference in the power over outcomes directly affecting their nationals, and in the range of policy options open to their governments between the United States and the mini-states — for example, the Republic of San Marino, one of the recent arrivals at the UN — is clearly much greater than the difference between the United States and the smaller member states in 1950 — even though this is generally agreed to have been a high point in American hegemonic power. Even middle powers who in the first half of the century possessed for the most part the capabilities and the means of self-defence, no longer have that kind of autonomy. The gap between them and the United States is wider. They do not have the independent military and especially nuclear capability; and even if they have nuclear weapons the technology and the delivery systems do not match those of the United States. Their currencies — even the German and the Japanese — are not so much used by third parties either as a medium of exchange or a store of value. The size and depth of their financial markets make them responsive to changing conditions in the American markets in a way that the American markets are not responsive to Tokyo or London, let alone Paris, Frankfurt or Singapore.

To point to this growing asymmetry of structural power is not inconsistent with pointing to a parallel rise in the vulnerability of the United States government to pressures coming from the market economy. Not only is this true of the

commodity markets – notably the oil market, as Americans first experienced in 1973. It is also true of financial markets. The necessary conditions for a stronger dollar in 1995 and beyond – and therefore for easier access by the federal government to foreign capital to fund its budget deficit – is that Congress should take some action to cut that deficit, either by raising taxes or by encouraging larger domestic savings, or, of course, by cutting chunks out of the defence budget, the CIA budget or other government programmes. The open economy in which the market leaders are as likely to be Japanese, Chinese, Korean or European as they are to be American is mainly an American creation. Like Frankenstein's monster it is easier to create and let loose than to rein in and control. If American academics of the declinist school had only recognized *why* they were sensing a loss of control over their country's destiny, a great deal of print and paper could have been saved. And although Professor Nye is right to point out that no other state is qualified to take the leadership role from the United States,¹² it is a bit misleading of him to describe American structural power – in security, in production, in finance and in knowledge and communications as 'soft' power. There is nothing very soft about it when others find their options determined by US policies.

Telecommunications. A classic, almost extreme case of the processes by which authority has shifted massively away from the governments of states to the managers of firms is to be found in telecommunications. It also demonstrates very clearly the asymmetries of state power just noted; the United States has had the not-so-soft structural power to shape the way in which the market operates. In alliance with the technologists who revolutionized the business and with the entrepreneurial firms who seized the opportunities in an expanding market, the United States has not only refashioned the way in which information is transmitted over long distances but in doing so has helped to ensure that the lion's share of this new global market goes to Americans.

The story is also worth telling because it illustrates not only the importance of the technological variable. It also illustrates another change which theorists both in economics and in politics find hard to accommodate. The processes of global-

¹² J. Nye, *Bound to Lead: The Changing Nature of American Power*, New York, Basic Books, 1990.

ization have multiplied conflicts between the demands and needs of domestic social groups and the demands and needs of transnational business. Generally speaking, the latter has won, and this surely is a matter of some political significance.

Recall that, at the peak of their control of civil society, states claimed and exercised the right to control the substance of information – by censorship of books and newspapers – and to control the means by which information was communicated – by post, telegraph and telephone. The result of globalization of the market and the recent shift to privatization of state-owned PTTs has been to narrow the options open to supposedly sovereign states and to extend the opportunities – and, of course, the attendant risks – of those enterprises supplying the hardware and the services to the market. Power has coincidentally shifted to the governments and firms of the developed countries, especially the United States. Other states have been obliged to give up their regulatory roles in order to be economically competitive in the future. What Cerny calls the ‘competition state’ is held responsible for the annual growth of the GDP, and has to act accordingly.¹³

Rapid technological changes have been a necessary condition of this shift. Optic fibre cables, earth-orbiting satellites, large-capacity fast computers are some recent developments. All have contributed to an enormous increase in the carrying capacity of communication systems and therefore to greater reliability at lower unit costs to users. But the price is paid in greater capital costs in the initial technological development, and this has raised the ante in the competition between firms; the larger and richer can afford to stay in the game while others drop out. Hence the recent spate of strategic firm-firm alliances: BT and MCI, the Dutch-Italian-Swiss and Swedish consortium, Unisource, AT&T’s ‘World Partners’ network of non-American operators.

While the supply side was revolutionized by technology, the demand side was inflated by the growth of international trade and production and the expansion, improvement and extension of air transport (also technology-led). The market for telecom operators grew *fivefold* in the decade 1984–94. By 1992, the total size of the market was estimated at over \$530 *billion* – a quarter in equipment sales and three-quarters in services. There

¹³ P. Cerny, *The Changing Architecture of Politics; Structure, Agency and the Future of the State*, London, Sage, 1990.

are now fifteen telephone operating enterprises with annual revenues of over \$10 billion — more than the GDP of small states.

The year 1984 was significant because that was when the United States deregulated the business and broke up the old Bell and AT&T monopolies. (Privatization of British Telecom followed soon after, and ahead of other European countries.) Hotter competition for the American market forced new and old firms to look abroad for profits.

Here is an example of American structural power being exercised through a market on other governments. Because of the cost (and the pace) of technological change, other states are forced to bargain with the firms over the terms on which national societies are incorporated into the transnational communications system. And those terms are apt to be set in accordance with the interest of the biggest, richest customers — the multinationals — and of the OECD countries that account for 85 per cent of all private telecom operators' (PTOs') revenues. That is politically significant. As one commentator put it, 'The terms and conditions of access to telecom services are instrumental in determining who can participate fully in the social, cultural, political and economic life of society'.¹⁴ Nationally, it means that a government which tries — as most have — to help remote or rural areas and old and poor people to keep in touch will have to pay more dearly for social cohesion. For the technology has brought down the cost of long-distance calls but not of local calls. Internationally, too, there are political implications. Internet and e-mail is the latest innovation in communications, and this too privileges the corporate and academic insiders and disadvantages outsiders — like African scholars, small business, families. Even international organizations are politically affected. Jill Hills has described what she calls the 'beginning of a form of privatization' of Intelsat, in which the major role is increasingly played by representatives of multinational firms rather than by government delegates. Predictably, the organization cuts down on aid to developing countries. Hills calls the process the translation of structural power into relational power.¹⁵ Certainly, it is

¹⁴ R. Mansell, *The New Telecommunications; A Political Economy of Network Evolution*, London, Sage, 1993.

¹⁵ J. Hills, 'A Global Industrial Policy. US Hegemony and GATT', *Review of International Political Economy*, Vol. 1/2, 1994, p. 170.

an outcome in international policy coordination that is not easily revealed by the methods and theories associated with the Keohane school of liberal institutionalism.

Mafias and the Failure of Government. For reasons of time and space I do not propose to say a great deal about the failures of the state. I referred at the beginning to popular perceptions of politicians' limited power – and I do not mean only John Major. In another context, I likened the modern state to an old tree, still sprouting new leaves and branches and apparently still alive, but actually hollow in the middle, inactive and ineffectual in the really basic matters of security and money for which it was designed. Its ubiquity, its meddlesomeness, its arcane processes of making often silly decisions, its tendency to centralize and to resist devolution can be seen as signs of weakness, not of strength.¹⁶ In the political balance, I would rate these fundamental failings with regard to the two basic justifications of state power and its claim to a monopoly of violence and the right to levy taxes and spend OPM (other people's money) as of far greater importance in the long term than the petty intrusions of state bureaucracies into our everyday lives. Moravsik is right to point out the symbiotic nature of the relationship between the bureaucracies of the member states and that of the European Commission.¹⁷ For it is not only Europe's fault that we are not allowed to ban the export of live veal calves or nibble on potato crisps flavoured like prawn cocktails. It is also Whitehall's fault. Such intrusions for the most part do not justify the state or the European Union so much as they discredit both.

I will only add the thought that the fundamental problematic for the twenty-first century – and for LSE's second century – is not the old liberal institutionalist chestnut about how to get more and better cooperation between states. One hundred and eighty minuses do not make a plus. As Paul Taylor has written, and Loukas Tsoukalis concurs, there are limits to integration.¹⁸ More and better cooperation for the sake of the

¹⁶ S. Strange, 'The Defective State', in *What Future for the State?*, Vol. 124, No. 2, 1995, p. 57.

¹⁷ A. Moravsik, 'Preferences and Power in the European Community' in S. Bulmer and A. Scott (eds), *Economic and Political Integration in Europe*, Oxford, Blackwell, 1994.

¹⁸ Paul Taylor, *The Limits of European Integration*, London, Croom Helm, 1983; L. Tsoukalis, *The New European Economy: Politics and Economics of Integration*, 2nd ed., Oxford University Press, 1993.

environment, for stable money, freer and fairer trade, to feed hungry children, heal the sick and guarantee a decent life and basic human rights and needs are all great ideals. But past experience suggests international organization will not manage any of these tasks. No, the problematic for the future seems to me is how *little* government can a world market economy and society manage with? Not what is the ideal world society. But what is the absolute basic minimum of order and justice, freedom and economic growth that will enable the system to survive. Some mix of the four values there has to be, but how little of each can the system tolerate? Now the socialist economies have failed, we are all in the same market economy boat now. We had better make sure it does not sink!

I sincerely hope there are others who think that is both a realistic and an idealistic problematic for the future. Because I do, it seems to me a first step is to figure out who – what non-state authorities besides the state – really do exercise authority in world society and economy and with what political, social and economic consequences. That is what my current book on the retreat of the state is about. (End of commercial.) The second but related question of course is also appropriate to *Government and Opposition*. Where – if the state is not the solution but the problem – is the progressive opposition to come from? In an essay for Ghița Ionescu's *festschrift*, I had some suggestions;¹⁹ and in a more provocative article I recently suggested that perhaps a joint collaborative effort by the Japanese and the Europeans to put pressure on the Americans – a little reverse *gaiatsu* – might be no bad thing.²⁰

I have chosen the subject of organized crime to illustrate the gaps in government first, because the provision of law and order, the protection of citizens from robbers, murderers and blackmailers is for most people the chief and most immediate reason why they support state authority. Defence against potential invaders or stable money come far behind, as most opinion polls show; if the protection fails, there is a gap in government. Secondly, organized crime is also a result of globalization, and warns us that not all its results are welcome.

¹⁹ S. Strange, 'Global government and global opposition', in G. Parry (ed.), *Politics in an Interdependent World. Essays presented to Ghița Ionescu*, Aldershot, Edward Elgar, 1994, pp. 20–33.

²⁰ S. Strange, 'European Business in Japan', *Journal of Common Market Studies*, Vol. 33, No. 1, 1995, pp. 1–25.

(Thirdly and frankly, I choose it because I have had expert help in researching it from one of my students in Florence, Letizia Paoli, author of the last report to the Ministry of the Interior on organized crime in Italy.)

What is new about organized criminal gangs is their number, and their transnational operations. Like TNCs (transnational corporations), they have authority over outcomes, encroaching on the authority of states. If we take Cosa Nostra as an exemplar, moreover, we can see that the organization of a mafia is some kind of mirror image of a state. Charles Tilly put the same point the other way round, saying that state-making was a protection racket and the largest example of organized crime.²¹ Both state and mafia use force to punish disobedience and penalize disloyalty. Both often begin by organizing a blood-related group; and both soon extend membership beyond the genetic clan. Both create myths, symbols and rituals to reinforce coercive power. Both are hierarchical systems that sometimes make concessions to democratic principles.²² Both demand money with menaces – that is, they levy taxes to pay both the costs of administration and to line their own pockets. Both are sometimes owners and controllers of straight economic enterprises; it is called public enterprise in one case, money-laundering in the other. In short, both are economic parasites on society.

What has changed for both is that territorial limits no longer define their authority. Globalization of the trade in stupefying drugs, which was started in a big way 150 years ago with Britain's Opium War and became a big issue for the League of Nations in the 1920s, gathered speed with America's Vietnam War, and really accelerated in the 1970s. As with telecoms, eager demand from a worldwide market has transformed the business. Easier and cheaper transport and communication, the poverty of farmers in Colombia and the Golden Triangle and the intermediating enterprise of the mafias made sure that supply matched the demand. Mobile technology in refining heroin and cocaine from the raw material also played a part,

²¹ C. Tilly, 'War-Making and State-Making as Organized Crime', in T. Skocpol, et al. (eds), *Bringing the State Back In*, Cambridge University Press, 1985.

²² There have been times in Sicily when leaders were elected, and when formal procedures were set up for the peaceful settlement of internecine disputes. But as with states, these have often been suspended when they proved inconvenient to those in power.

as did government prohibition which enhanced profitability for all along the supply chain.

The result was that the Sicilian mafiosi who had stayed poor as long as they preyed only on poor farming people, became rich when they preyed on urban drug-users. Then they coexisted symbiotically with the Christian Democrats and the central bureaucracy in Rome. The latter turned a blind eye to their protection rackets so long as the mafia delivered the votes. But when they got rich by exploiting the global market, and with their new wealth began wholesale bribery of politicians and businesses, the symbiotic relationship began to crumble. Brave magistrates like Falcone turned against them, and were murdered. But the government changed the law to allow maxi-trials, offered clemency and protection to mafiosi who turned state's evidence and set up an anti-mafia police force.

The trouble is that shutting the Italian stable door has come too late after the horse has gone global, and grown very, very big. Over the last two decades, the world market in cannabis grew ten times bigger, in heroin it grew twenty times bigger, in cocaine fifty times bigger. The profits are astronomical, so large that organized criminal groups can easily diversify into traffic in arms and illegal immigrants. If there is not actually a *Pax Mafiosa* between the Italian, American, Chinese, Japanese and Russian organized criminals, as one observer has claimed, there is certainly non-stop *ad hoc* wheeling and dealing between them.²³ They are such good customers of tax havens and even respectable banks that no one has much interest in distinguishing their dirty money from the rest. Meanwhile, the collapse of authority in the former Soviet Union and the lowering of barriers in the European Union have put national police forces at a disadvantage. National laws limit their potential collaboration through organizations like Interpol and Europol. And technology gets ahead of state authority — as when German police are frustrated by being unable to bug the mobile phones customarily used by criminals today. What this story adds up to is that technology and a world market in drugs and in money together have caused states to fail to protect society against crime and criminals. That failure favours the sort of desperate, xenophobic, racist and fascist responses that undermined liberal democratic governments in the 1930s.

²³ C. Sterling, *Thieves' World. The Threat of the New Global Network of Organized Crime*, New York, Simon Schuster, 1994.

POLITICS REDEFINED

There are many other stories that could be told of non-state authority encroaching on that of the state. But just these two – telecoms and mafias – are enough to show the impact on society and economy of the combined forces of globalization of markets and accelerating technological change. Neither national constitutions nor international organizations are immune, as I have tried to show. So if the subjects that political scientists and people in international relations have chosen to study are undergoing change, so should they – notwithstanding their vested interests in office space, secretaries and budgets.

The question boils down to the essential nature of politics, and to whom, precisely, we think of as ‘involved in politics’. Let’s forget about the state for a moment and consider what the answer should be. Harold Lasswell, for example, defined the content of politics; it was about ‘who got what, where, when and how’.²⁴ David Easton defined the process by which that result was reached; it was by ‘the authoritative allocation of values’.²⁵ That gets away from constitutions and institutions to the heart of the matter. But it begs the question, really, of who or what has authority; and it leaves unclear what ‘values’ are at stake in politics – just material ones or both material ones and the unquantifiable contestable ones like justice and security. In *States and Markets*,²⁶ I suggested that there were four basic values – security, wealth, justice and freedom, or autonomy – and that societies, national or global – were to be judged – and not just by how the values were allocated and to whom, but on the variable mix of the four, the priority given to one or two of the four over the others. And that the allocation among generations, social classes, occupations and genders was often more important for the political economist than the allocation among states or nations. That is where I part company from my colleagues in international relations and prefer *not* to be known as a professor of international relations but of international political economy.

²⁴ H. Lasswell, *Politics: Who Gets What, When, How*, New York, Meridian, 1958.

²⁵ D. Easton, *The Political System*, New York, Knopf, 1953.

²⁶ S. Strange, *States and Markets*, 2nd ed., London, Pinter, 1994.

What I have tried to convey in this lecture is that it is not only states who have authority to allocate values. Globalization has accentuated the authority of markets and of market operators – including ‘illegal’ market operators – to allocate values. Do you get a pair of concrete boots – or a Swiss bank account? Do you get free access through the internet to a global library and to all your friends around the world – or to a public phone box and a slow and costly postal service?

A third post-war writer who would not have disagreed with me that mafias and telecom operators are just as much involved in politics as politicians was French, Bertrand de Jouvenel, who wrote a book on sovereignty – and a better one to my mind than Laski’s. De Jouvenel argued that action becomes political whenever the help of other people is necessary to achieve a person’s objective.²⁷ Politics, in short, occurs when someone requires the support of other wills. What else then but just another kind of politician is the chief executive officer of a firm? He needs the supporting wills of his managers, designers, salesmen and suppliers, his bankers and/or shareholders. Forming any association of human beings for a collective purpose therefore involves the practice of politics. No one who has ever been involved in student politics or academic politics – two particularly ruthless and universal versions of the game – can seriously doubt that statement. Another one is sport. What else but politics was being played when the selection committee of the British rugby football association first sacked the captain for calling them a bunch of old farts, and then under implicit threats from his team-mates, reinstated him? Was last year’s sad saga of the baseball players and the managers in America not an essentially political contest? If you accept Hannah Arendt’s description of political institutions as ‘manifestations and materializations of power’, then the firm that has power to relocate its production to another country and to cut its workforce at home or sell itself to a foreign firm, is a political institution – and no less so than a county council in Britain that can only allocate values in ways already decided on by the central government.

The implications of redefining politics in this way, and of enlarging the limits of what we understand as politics, may be uncomfortable for vested interests, administrative and

²⁷ B. de Jouvenel, *Sovereignty: An Inquiry into the Political Good*, Cambridge University Press, 1957.

intellectual. But that should not stop us thinking about them. Universities, like firms, may have to think about restructuring – ‘re-engineering’ to use the current jargon – the way they operate and are organized.

As I hinted at the beginning, my argument seems to lead to the conclusion that most social science has not yet caught up with the times, nor with the truly revolutionary nature of social and economic globalization. The ever-increasing specialization that has characterized social science for most of the past century was just about excusable so long as there was a broad coincidence between the political boundaries of the state, the social boundaries of national society and the economic boundaries within which law, currency and institutions governed operations in the national market. It made some sort of rough and ready sense to study in virtual isolation the political system within those territorial limits, the evolution and management of the market economy within those limits, and the evolution and management of social relations, including industrial labour relations, within the same territorial limits.

But now that society, economy and authority are no longer bound by the frontiers of the territorial state, it makes very little sense. Authority is exercised across boundaries, and exercised unequally by states. The allocation of values is also shared between state authority and non-state authority, but in a random, complex and untidy way across issues, across sectors and – thanks to the dynamism of markets and technological change – across time periods. The differences recorded by the comparativists in law, politics and sociology pale into relative insignificance beside the common external forces of structural change in the world economy and world society. The heroic assumptions by economists that markets function within a stable legal and political framework, according to rational patterns of behaviour, and independently of dynamic shifts in bargaining power inside and outside the market become untenable. Even less defensible is the separation of international politics from other kinds of politics. It was justified in the past by the exceptional violence and destructiveness of inter-state conflict. It is less easily justified now that most of the competition between states is – like that between firms – for world market shares and for corporate allies who can be persuaded to take up productive residence in the country.

As Peter Dicken, a geographer, has put it, there has been a

'global shift' in political economy.²⁸ So perhaps the geographers and historians who have always been more acutely aware of the complexities of human relations, and have seemed to suffer from fewer intellectual pretensions than the economists, would be better guides for a future rather different from the past. It may be that departments, defined by disciplines, are not the best basis on which to organize either teaching or research. Just as flexibility and adaptability have to be the watchwords for corporate management in business, perhaps they should also guide future planning in universities. Here as elsewhere, there are signs of movement and change, breaking down old barriers and distinctions between the social sciences. It is my belief that progress will be easier and faster if we agree to extend the limits of politics and of political science.

²⁸ P. Dicken, *Global Shift. The Internatilizization of Economic Activity*, 2nd ed., London, Paul Chapman, 1992.